

**MINUTES OF THE REGULAR MEETING OF THE
WASHINGTON STATE TRANSPORTATION COMMISSION
December 12 & 13, 2006**

The regular meeting of the Washington State Transportation Commission was called to order at 9 A.M., on December 12, 2006, in Room 1D2 of the Transportation Building in Olympia, Washington.

Commissioners present at the meeting were: Chair Ford, Ed Barnes, Bob Distler, Elmira Forner, Carol Moser, Dan O'Neal and Dale Stedman.

MINUTES APPROVAL

Commissioner Forner moved and Commissioner Moser seconded approval of the November 14 & 15, 2006 meeting minutes. After discussion and suggested changes Chair Ford moved approval of the minutes to the January meeting.

**REVIEW COMMENTS RECEIVED ON ADMINISTRATIVE RULES FOR THE
DEPARTMENT OF TRANSPORTATION'S INNOVATIVE PARTNERSHIPS
PROGRAM**

Jeff Doyle, Director, Transportation Innovative Partnerships (TIPP), WSDOT, presented an updated errata sheet that provides technical amendments to correct errors to draft rules WAC 468-600. He highlighted substantive issues that had been raised, noting that comments were received slightly before and after the deadline for comment. Most of the comments were technical in nature and taken into consideration. The Department has compiled comments received and prepared a response that addresses those issues.

Mr. Doyle responded to Commissioner questions regarding non-state funding, contract proposals, competitive negotiations and contract awards. Commissioner's posed questions and raised concerns regarding the legislative process and the Commission's role.

Chair Ford suggested that a written report be prepared to pose key questions to the Legislature regarding the TIPP process.

It was moved by Commissioner Forner and seconded by Commissioner Stedman to approve Resolution 683 adopting rules that carry out the provisions contained in RCW 47.29 which govern the Transportation Innovative Partnerships Program within the Washington State Department of Transportation, and approval of proposed WAC 468-600 incorporating the errata technical corrections to draft WAC 468-600. The motion passed unanimously.

**OVERVIEW OF JOINT TRANSPORTATION COMMITTEE (JTC) FERRY
FINANCE STUDY RECOMMENDATIONS AND DISCUSSION WITH
LEGISLATIVE GUESTS ON FERRY FARE SETTING**

Kathy Scanlan, Cedar River Group, provided an overview of the Ferry Finance Study recommendations. The Legislative directive was to conduct a finance study to facilitate policy discussions and decisions by the Legislature.

The budget proviso recognized that there was a need within Washington State Ferries (WSF) for predictable cash flows, a big emphasis on transparency, assessment of organizational structure, maximum efficiency and better labor relations. It was also directed that the operating and capital program and ridership forecasts be looked at. The ferry system operates on ten routes, and the origination and destination study shows that there are seven distinct travel sheds, twenty terminals, twenty-eight vessels and a ridership of nearly twenty-four million in 2005. Systemwide ridership has dropped 10 percent since 1999, with wide variations among routes. WSF attributes this drop in ridership to the extraordinary tariff increases that occurred with the loss of the Motor Vehicle Excise Tax funding resulting in fare increases of 62 percent since 2001.

Farebox recovery has been an important measure that the Legislative Joint Task Force on ferries has spent a fair amount of time looking at, which is defined in various ways, but is essentially the amount of ferries operating costs that are covered by the farebox. When WSF does the calculation there are two things that the Tariff Policy Committee looks at, the farebox revenue and a relatively minor amount of concessions income. In 2005 farebox recovery was 76 percent with a significant differences between routes in farebox recovery rates, as they relate to various factors including ridership and route characteristics (rather than being based on “lesser –used” routes). One of the key core recommendations is that this variation must be recognized and accepted that it will vary across the system.

WSF has recently released a *draft* Long Range Plan that is projecting capital expenditures of \$5.6 billion dollars over the next 25-years. WSF’s finance plan does not close the capital funding gap. It is anticipated that expenses will be less than revenues from farebox, ancillary sources and dedicated tax support creating a surplus that will be transferred to capital. Finance recommendations are to either merge capital and operating accounts or do not transfer from operating to capital; maintain a larger operating reserve to allow for volatility of earned revenue and operating expenses. Farebox recommendations are that perhaps the Legislature should consider providing more specific tariff guidance; the role of the Tariff Policy Committee should be examined; survey ferry users to better assess customer reactions to alternative structural tariff proposals. WSF should provide expense projections that include more accuracy projecting labor costs to use in setting tariffs. The Commission should consider what role it plays, if any, in reviewing the Level of Service standards, financial policies and the tariff structure.

Representative Clibborn commented that when surveying ferry riders service should be used broadly. Going forward it should be taken into consideration that tariffs are a form of tolling.

Senator Haugen commented that the Level of Service standards should be reexamined. There are real problems within the ferry system that need to be looked at. Tariffs are paid by taxpayers across the state and all of the taxpayers should have a say. Moving into the future there needs to be one entity that is responsible for tolling.

Representative Flannigan commented that there must be compromises in the process. He pointed out ferry boarding wait times in comparison to traffic congestion on the highways. There is a great deal of issues with transportation in general that needs to be looked at. Commissioner Moser commented that she is very concerned with the use of a travel demand model. It’s a concern that potentially costs are being understated and overstating demand. Having a statewide public survey is a very good idea.

Senator Oke shared a bit of his ferry riding experiences, noting boarding situations on specific routes. Policies need to be reviewed and corrected. He also mentioned that ferry employees and their dependents ride for free, which is a concern.

Representative Flannigan thanked Senator Oke for his dedicated service to the state.

Chair Ford thanked the legislative members for attending today's meeting. The Commission must focus on its role in fare setting and its related regulatory implications.

Commission Distler emphasized that costs are the first consideration. The fact is that rate-making cannot close the gap between costs on the one hand, and revenues and state operating subsidies on the other, without a thorough understanding of actual cost levels. This report has shown that the real numbers must be found soon. There are still three issues that need to be dealt with, the first is to decide how to deal with the May 1, 2007 fare increase, if it goes forward. It is imperative that the Commission not make WSF's financial situation worsen. The forecast issues must be sorted out and there needs to be a way to size the capital program with regard to the Level of Service standards. He pointed out that it must be kept in mind that if Level of Service standards are changed it will have a direct impact on riders adding a significant increase to the commute. The gap needs to be closed in a transparent manner that avoids bumping two years at a time. It's frustrating that there is no legislative direction that allows for sustainable results.

In closing Alice Tawresey, Chair, Tariff Policy Committee (TPC), noted that the TPC's upcoming agenda will include a briefing on today's study presentation. Once the Governor's Budget is released the TPC will begin putting together its recommendation to the Commission.

Chair Ford questioned legislators present on which direction should be taken with tariff setting.

Senator Haugen expressed that today's report will be taken seriously by the legislature. The current process has holes in it and she would prefer not to move forward using the current methods.

Representative Clibborn deferred comments to Representative Flannigan.

Representative Flannigan commented that theory is easy to discuss, but the dollars are not there in the end.

STATE PASSENGER RAIL PROGRAM TRENDS AND CHALLENGES

Judy Giniger, Director, Public Transportation and Rail Division, WSDOT, explained that the Department is involved in passenger rail to ensure that the increase in intercity travel demand is met for the state's economic vitality and quality of life.

Ken Uznanski, Manager, Rail Office, Public Transportation and Rail Division, explained that starting in 1993 the Commission passed a series of resolutions endorsing the Department's Intercity Passenger Rail Program and Amtrak, and then following is the Commissions 2006 Statewide Rail Capacity Study.

In 2002 AASHTO's study identified opportunities for strategic and successful investment in intercity passenger rail. The study identified that rail corridors of less than 500 miles in length offer the best opportunity for intercity passenger rail, frequent service, reasonable travel times and a broad market appeal. Many states are currently developing intercity passenger rail corridor services. The critical element is federal funding supporting intercity passenger rail. The Department's long-range vision for intercity passenger rail includes a series of projects to achieve service goals. The risks and challenges are on-time performance, project management, project delivery, working with BNSF Railway, significant state investment, operating subsidies, limited multi-modal funds and no federal funding support. The Department plans to focus on improving on-time performance, project management and delivery, look at strategies to increase ridership, revenues and public awareness. Further information on the passenger rail program can be found at: www.wsdot.wa.gov/rail.

PRESENTATION OF DRAFT FINAL STATEWIDE RAIL CAPACITY AND SYSTEM NEEDS STUDY

Michael Fischer, Cambridge Systematics, presented the *draft* final Statewide Rail Capacity and System Needs Study.

Commissioner O'Neal, Rail Study Team Lead, opened the presentation with introduction of Scott Witt, Rail Study Project Manager, WSDOT. He explained that when the study began the Team was not fully aware of the amount of interest that the study would generate. The study was not able to address all of the questions raised, but is a beginning to a new approach to how the state invests in rail transportation.

Mr. Fischer provided an overview of the study mandates emphasizing that the key question by the Legislature for this study was: Should the state continue to participate in the freight and passenger rail system, and if so, how can it most effectively achieve public benefits. Four of the state rail issues are: railroads are focusing on high-volume and long-haul services, but the state's industrial and agricultural shippers also need low volume and short-haul services; rail is being asked to absorb some of the traffic growth from congested highways; short line railroads are being asked to support agricultural shippers and communities, and the intercity passenger rail program is being asked to increase ridership.

Policy recommendation (1) recommends that the state should continue to participate in the preservation and improvement of both the freight and passenger rail transportation systems where there are public benefits to Washington State, its businesses and its communities.

The study provides guidance on how state actions can be used to address the needs of industrial and agricultural shippers, ports and international trade industries and passenger rail users.

Policy recommendation (2) recommends that the state should base its decisions to participate in projects, programs and other rail initiatives on a systematic assessment and comparison of benefits and costs across users and across modes.

The state should estimate quantifiable costs and benefits; economic impacts; and qualitative benefits for the State, rail users, the railroads and other carrier and communities.

Policy recommendation (3) recommends that where the state determines there are sufficient

public benefits to justify public participation in the preservation and improvement of the rail system, its actions should be guided by an emphasis on operations and non-financial participation in projects before capital investment; preserve and encourage competition; target actions to encourage private investment that advances the state's economic development goals; leverage state participation by allocating cost responsibility among beneficiaries and require projects to have viable business plans.

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Policy recommendation (4) recommends that the state should designate a single entity to coordinate and direct the state's participation in the preservation and improvement of the rail transportation system.

This entity should have the authority to negotiate directly with the railroads. Class I railroads are large national corporations. The State can be an effective advocate for multiplicity of state, business, and community interest, but cannot do so without a coordinated and unified vision and voice. Responsibility for oversight and management of the State's rail programs and investments is currently divided among WSDOT, FMSIB, CERB and WSUTC.

Policy recommendation (5) recommends that the state should develop a multi-state coalition to address rail system needs across the Pacific Northwest.

Washington's rail system is an integral part of the Pacific Northwest and national rail systems; the system's needs transcend the State's boundaries. Washington and its neighbors should establish their common needs and work with the railroads to prioritize and invest in the most cost-beneficial regional improvements. The State should play an active role in national rail policy discussions. Washington's rail issues are similar to those in other states, reflecting the need for a coordinated national rail strategy.

Policy recommendation (6) recommends that the state should implement the asset management plan developed as part of this study to govern investment and management decisions for state-owned rail assets.

The asset management plan sets objectives for the rail lines, specialized railcars and service rights that the State owns; establishes performance measures to determine if these objectives are being met; and describes management practices to ensure that the State's rail assets return maximum benefit to the public.

It was moved by Commissioner O'Neal and seconded by Commissioner Moser to adopt the Statewide Rail Capacity and System Needs Study with the addition of suggested changes. The motion passed with Commissioner Distler voting no.

Commissioner Distler explained that the key question asked by the Legislature for this study was “should the State continue to participate in the freight and passenger rail system, and if so how can it most effectively achieve public benefits.” The second part of the question has been dealt with by the study. The study has also addressed the rail needs, status of the rail infrastructure and Service Levels of the State and the State’s interests, but the policy recommendations do not address cost benefit analysis as it relates to the rail system itself and proposed or possible rail projects. He explained that he does not see an answer of whether the State should participate.

Chair Ford opened the discussion for public comment.

Paul Locke, citizen, shared his concerns regarding investing public funds in the rail system.

Lloyd Flem, Executive Director, Washington Association of Rail Passengers, expressed his appreciation for having had the opportunity to provide input into the study. He noted that he will be looking at alternative benefits for passenger rail users in terms of continued State investments.

Mark Rickie, Locomotive Engineers and Trainmen and Rail Labor Coalition, expressed that rail labor concerns and the proper input of taxpayer dollars should be kept in mind as we move forward.

Jeannie Beckett, Port of Tacoma, expressed that the Ports should be kept in the dialogue.

GRAY NOTEBOOK BEIGE PAGES OVERVIEW

Keith Metcalf, Director, Project Control and Reporting, WSDOT, presented the Beige Pages for the quarter ending September 30, 2006. He noted that the Beige Pages now include a measurement for on time and on budget performance information aligning it with Governor’s strategic goals. He stepped through the executive summary of performance information sharing results.

SECRETARY’S REPORT

Secretary MacDonald provided an update on the status of the Tacoma Narrows Bridge Project. He explained that the west and east approach sections are in place, the center section is mostly in place and the closer sections have arrived. In a few weeks all of the sections will be in place.

Update on the Hood Canal Bridge Project. The first float out of pontoons for the bridge has taken place. Three pontoons are in the process of being floated by tug boats to the bridge site.

He shared information on various other projects around the state.

Chris Christopher, State Maintenance Engineer, WSDOT, shared information on highway issues resulting from snow, wind and water erosion so far this winter.

PUBLIC AND LEGISLATOR COMMENT PERIOD

Meta Heller, Common Ground USA, shared her opinion regarding tax reform.

COMMISSION STAFF REPORTS

Reema Griffith, Executive Director, informed the Commission that the Senate and House Transportation Committee members have been chosen. She shared that she is working on arranging a Committee work sessions in January or February dedicated to the Tolling and Rail Studies, Innovative Partnerships and the Washington Transportation Plan. If possible it would be a combined Senate and House work session. Individual meetings will be scheduled with key members.

Senator Haugen is sponsoring the Commission's Facility Naming legislation.

The Commission and the Department's Interagency Agreement has been signed by the Department.

Paul Parker, Senior Policy Analyst distributed a *draft* of the Commission's 2006 Annual Report. The Report provides an overview of 2006 accomplishments; priority issues in transportation policy; a look at multi-modal progress and looking ahead. He also presented the Commission meeting schedule for 2007 for approval.

Commissioner's provided suggested changes to the report.

COMMISSIONER REPORTS

Due to presentations exceeding time limitations Commissioner reports were not given.

The Commission meeting adjourned at 3:30 p.m., on December 13, 2006.

WASHINGTON STATE TRANSPORTATION COMMISSION

DICK FORD, Chair

ELMIRA FORNER, Vice-Chair

EDWARD BARNES, Member

CAROL MOSER, Member

DAN O'NEAL, Member

ROBERT S. DISTLER, Member

DALE STEDMAN, Member

DOUGLAS MACDONALD, Ex-Officio Member
Secretary of Transportation

ATTEST:

REEMA GRIFFITH, Executive Director

DATE OF APPROVAL